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THE EMPIRE LIFE INSURANCE COMPANY ANNUAL REPORT 1967

Head Office: Kingston, Ontario



THE EMPIRE LIFE INSURANCE COMPANY



Comparative Highlights	1967	1962
Insurance and annuities in force - - - - -	\$719,194,000	\$380,000,000
New insurances and annuities - - - - -	103,239,000	70,000,000
Paid to policyowners and beneficiaries - - - - -	6,337,000	3,285,000
Assets - - - - -	75,529,000	49,131,000
Liabilities - - - - -	69,014,000	44,686,000
Surplus, special reserves and shareholders' funds - - -	6,515,000	4,444,000
Net rate of interest earned - - - - -	6.12%	5.71%

THE EMPIRE LIFE INSURANCE COMPANY



Board of Directors

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CHARLES P. FELL, LL.D., <i>Honorary Chairman</i>	- - - - -	Toronto, Ont.
HENRY R. JACKMAN, Q.C., <i>Chairman</i>	- - - - -	Toronto, Ont.
HERBERT H. BLAKEMAN, F.S.A., F.C.I.A., <i>President</i>	- - - - -	Kingston, Ont.
HONOURABLE LOUIS P. BEAUBIEN, <i>Senator</i>	- - - - -	Montreal, P.Q.
AIR MARSHAL WILFRED A. CURTIS, S.M., C.B., C.B.E., D.S.C., LL.D., D.Mil.Sc., E.D.	- - - - -	Toronto, Ont.
NEWMAN A. FAIRHEAD	- - - - -	Toronto, Ont.
HENRY N. R. JACKMAN	- - - - -	Toronto, Ont.
WILLIAM A. MACKINTOSH, C.C., C.M.G., Ph.D., LL.D.	- - - - -	Kingston, Ont.
N. DONALD McDONALD, M.B.E., F.L.M.I.	- - - - -	Kingston, Ont.
THOMAS OAKLEY	- - - - -	Bobcaygeon, Ont.
ARTHUR PEDOE, F.I.A., F.S.A., F.C.I.A.	- - - - -	Toronto, Ont.

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## Directors' Report for the Year 1967

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Your Directors have pleasure in presenting the forty-fifth Annual Report on the operations of the Company for the year ending 31 December, 1967.

The real growth in the Canadian economy during our centennial year did not reach its potential and fell below the rate realized in recent years. The strains in the economy which originated in the boom conditions of 1965-66 have continued to make themselves felt, including inflationary pressures, declining profit levels and unusually high rates of interest in our financial markets. On the whole, these are not surprising developments in view of the exceptional duration and strength of the expansion in previous years.

If we are to cope successfully with the problems facing our economy, Governments, business and labour unions must work together to curb inflationary spending and to increase our productivity in line with wages. The outlook suggests that this corrective phase will persist well into 1968, giving us the opportunity to make the many adjustments necessary to assure a more balanced growth during the rest of this decade.

The life insurance industry realized an increase in sales during 1967 estimated at 12½% which represents a rate of growth rather greater than that of the Gross National Product. Ownership of life insurance by Canadians has now reached the average level of \$18,000 per household. Because of the trend towards a larger proportion of term insurance in the volume of sales, the increase in the amount of premium income, at 5%, more nearly represents the growth in the savings element of the business. At this time there are areas of concern touching the interests of the owners of life insurance. The continued inflation of prices is operating to the detriment of those who rely upon the traditional forms of savings such as life insurance and Canada savings bonds. The proposals in the Carter report that life insurance should be subjected to heavier taxation affects the same group of persons, as the full burden of any increase must fall upon policyowners and beneficiaries who comprise a very large majority of Canada's population. Also, since premium income provides investment funds required for housing and the corporate securities underlying our industrial and commercial expansion, life insurance has contributed substantially to the capital formation needs of our economy. Conditions which discourage this function are to be deprecated and it is important that these problems receive realistic consideration.

### NEW BUSINESS AND INSURANCE IN FORCE

The substantial growth of this Company's business in force and the increasing number of individuals and groups participating in this protection indicate the confidence of the insuring public in the service which the Empire Life offers.

New life insurance placed in force by our field organization in 1967 was \$103 millions in net

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amount, being an increase of 7% over the previous year. The volume of new sales for individual policies increased by 14% and group sales were down by 5%.

The total business in force is 79,627 policies for an amount in excess of \$719 millions, excluding business reinsured with other companies. Sterling business is included at the current rate of exchange. The business in force is comprised of ordinary life insurance \$508 millions and group insurance \$211 millions. The net increase of business in force for the year is \$80 millions.

In line with the Company's policy of broadening the range of its services, contracts combining life insurance and equity fund benefits were offered for the first time about nine months ago. In response, an encouraging level of sales was achieved.

ASSETS

The assets of the Company which support its policy obligations increased by \$5,707,768 to reach a total of \$75,529,255. The proportion of the assets in each of the several investment categories and the changes from 5 years ago are indicated in the schedule:

	1962	1967
Bonds and debentures - - - - -	36.6%	25.0%
First mortgage loans on real estate - - - - -	49.9	59.0
Preferred and common stocks - - - - -	5.4	8.5
Policy loans - - - - -	6.7	6.3
Real Estate - - - - -	1.4	1.0
Cash - - - - -	.0	.2
	100.0%	100.0%

The net rate of interest earned on the invested assets, after allowance for investment expenses, was 6.12% an increase of .06% over the previous year.

POLICY RESERVE AND OTHER LIABILITIES

The liability of the Company under its obligations for future payments to policyowners is \$60,764,784. The amount of these reserves represents the present value of benefits guaranteed less future premiums and interest. The reserves are based upon assumed factors of mortality and interest much more stringent than those required by statute, giving added strength to the Balance Sheet. Other liabilities relating to policy contracts, i.e., amounts on deposit with the Company, claims in process of settlement or unreported at the year end and provision for profits to policyowners are represented by an amount of \$5,852,145.

The Staff Pension Fund has increased to \$1,779,856, inclusive of the amount in the Segregated Investment Fund, while taxes and other accrued expenses and liabilities account for \$435,652.

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## REVENUE AND SURPLUS

The total net income for the year amounted to \$16,365,099, an increase of \$1,229,997 over the previous year. Of this amount the premiums were \$11,831,160 and the investment income \$4,261,822.

Benefit payments made to policyowners and beneficiaries during the year were \$6,337,543. The amounts set aside in the form of reserves against future obligations were \$4,747,020.

For 1967 there was a substantial addition to the Company's unallotted surplus. For the protection of policyowners, in excess of the normal reserves, there is a margin of \$6,515,338, available by way of contingency and special reserves, capital stock and unassigned surplus.

## SHAREHOLDERS

A dividend of 6 per cent on the \$1.00 par value shares, payable 23rd February, 1968, to shareholders of record 2nd February, 1968, has been declared by your Board of Directors.

## GENERAL

During the past year, Mr. Charles P. Fell relinquished the office of President, after 34 years of distinguished service, and was succeeded by Mr. H. H. Blakeman. Mr. Fell continues as a director of the Company and was appointed Honorary Chairman. The Right Honourable D. Roland Michener resigned as a director of the Company, upon his appointment to the office of Governor General of Canada.

It is of interest to note that subsequently His Excellency D. Roland Michener became the first Chancellor of the Order of Canada, and had the pleasure of welcoming two more of your directors, Dr. William A. Mackintosh and Air Marshal Wilfred A. Curtis, into that Order.

It seems appropriate to draw to your attention that this 1967 Annual Report is somewhat larger in size than its predecessors and bears a new corporate symbol on its face. We have applied for registration of this symbol, and it is our intention eventually to use it to identify your Company by incorporating it into our letterheads, our various forms, our advertising, etc.

The achievements of 1967 are a credit to, and are evidence of, the loyalty and co-operation of field and office staffs of the Company. The Directors express their thanks to all concerned.

On behalf of the Board of Directors,

H. R. JACKMAN  
*Chairman of the Board*

H. H. BLAKEMAN  
*President*

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# Balance Sheet December 31, 1967

ASSETS	1967	1966 (For Comparison)
Cash - - - - -	\$ 127,945	\$ 1,135
Bonds and Debentures - - - - -	18,474,032	16,433,831
First Mortgages on Real Estate - - - - -	43,654,079	41,669,537
Preferred and Common Stocks - - - - -	6,293,893	5,233,021
Real Estate (less amounts written off for depreciation)		
Held for the Production of Income - - - - -	148,651	163,487
Head Office and Branch Premises - - - - -	568,715	589,790
Loans on Policies - - - - -	4,647,977	4,407,727
Outstanding Premiums - - - - -	600,224	513,097
Interest, Due and Accrued - - - - -	650,275	575,174
Segregated Investment Fund - - - - -	357,706	228,315
All other Assets - - - - -	5,758	6,373

## NOTES:

1. The basis of valuation of invested assets is cost or amortized value, less amounts written off from time to time, and the resulting book values are not in excess of the values authorized by the Association of Superintendents of Insurance of the Provinces of Canada.
2. Effective from July 1st 1965, the Company grant portion of the Staff Pension Fund is being invested in the Segregated Investment Fund.
3. The authorized capital stock consists of 2,000,000 shares of a par value of \$1.00 each of which 704,528 shares are outstanding and fully paid up.

\$75,529,255	\$69,821,487
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H. R. JACKMAN, *Chairman of the Board*

H. H. BLAKEMAN, *President*

## Auditors' Report

To the Shareholders of  
The Empire Life Insurance Company:

We have examined the balance sheet of The Empire Life Insurance Company as at December 31, 1967 and the statements of revenue and expenditure, unallotted surplus and shareholders' surplus for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

Toronto, Canada, January 15, 1968.

## LIABILITIES

	1967	1966 (For Comparison)
Policy Reserves - - - - - This is the amount which with interest and future premiums is actuarially calculated to be sufficient to provide for all pay- ments under insurance and annuity contracts.	\$60,764,784	\$56,317,764
Provision for Unpaid and Unreported Claims- - - - -	1,152,376	814,415
Amounts Left with the Company at Interest - - - - - Policy proceeds, dividends, etc.	2,513,769	2,199,270
Provision for Profits to Policyowners - - - - -	2,186,000	1,886,000
Bank Advances (Secured) - - - - - Reflecting forward investment of new funds.		386,309
Staff Pension Fund (note 2) - - - - - See also segregated investment fund below.	1,603,630	1,494,762
Premium and Other Taxes Payable - - - - -	92,475	89,456
Accounts Payable, Agents' Credit Balances and Other Amounts Due and Accrued - - - - -	233,623	204,787
Amounts Received, Not Yet Allocated - - - - -	109,554	95,658
Segregated Investment Fund (note 2) - - - - - Including \$176,226 belonging to Staff Pension Fund.	357,706	228,315
	<u>\$69,013,917</u>	<u>\$63,716,736</u>
Surplus, Special Reserves and Shareholders' Funds:		
Capital stock, fully paid (note 3) - - - - -	704,528	704,528
Shareholders' surplus - - - - -	75,063	58,884
General reserve for investments and contingencies - - -	1,000,000	1,000,000
Unallotted surplus - - - - -	4,735,747	4,341,339
	<u>\$ 6,515,338</u>	<u>\$ 6,104,751</u>
	<u>\$75,529,255</u>	<u>\$69,821,487</u>

Accepting the certificate of the Company's Actuary for the actuarial liability under insurance and annuity contracts and certain other liabilities to policyowners, we report that, in our opinion, the above balance sheet and accompanying statements of revenue and expenditure, unallotted surplus and shareholders' surplus, as supplemented by the footnotes thereto, present fairly the financial position of the company as at December 31, 1967 and the results of its operations for the year then ended.

THORNE, GUNN, HELLIWELL & CHRISTENSON,  
Chartered Accountants

## Statement of Revenue and Expenditure YEAR ENDED DECEMBER 31, 1967

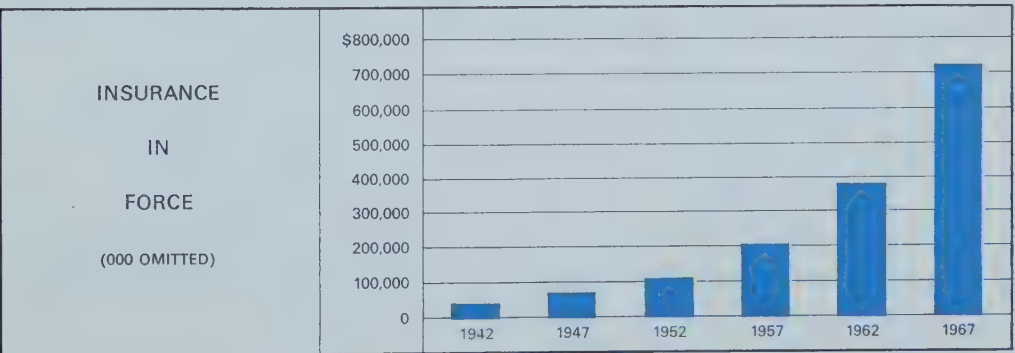
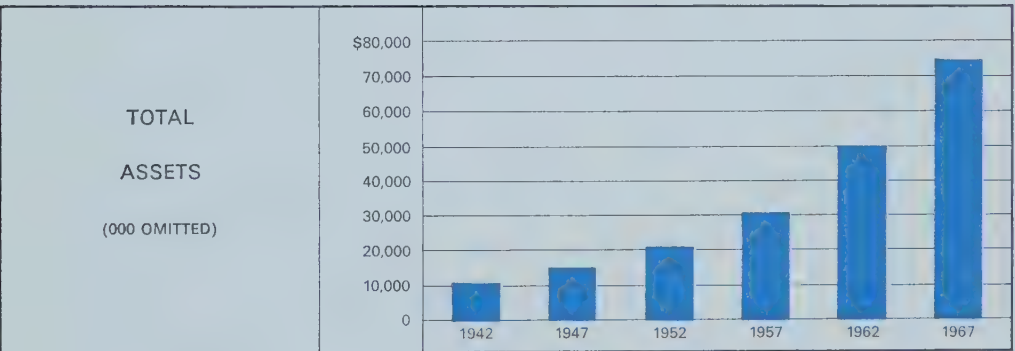
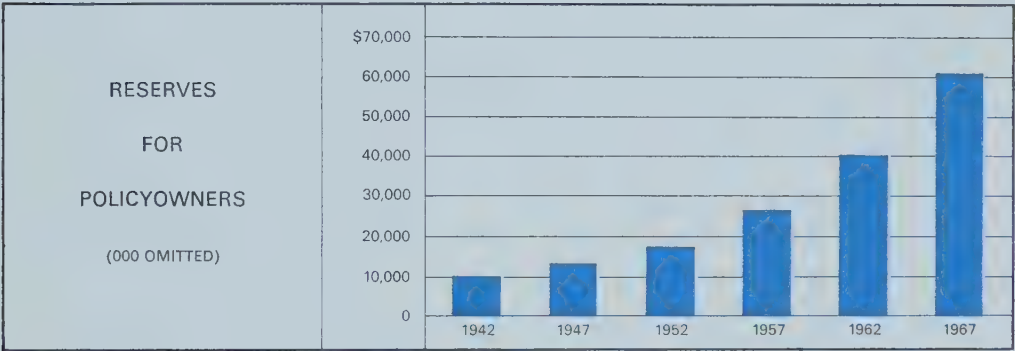
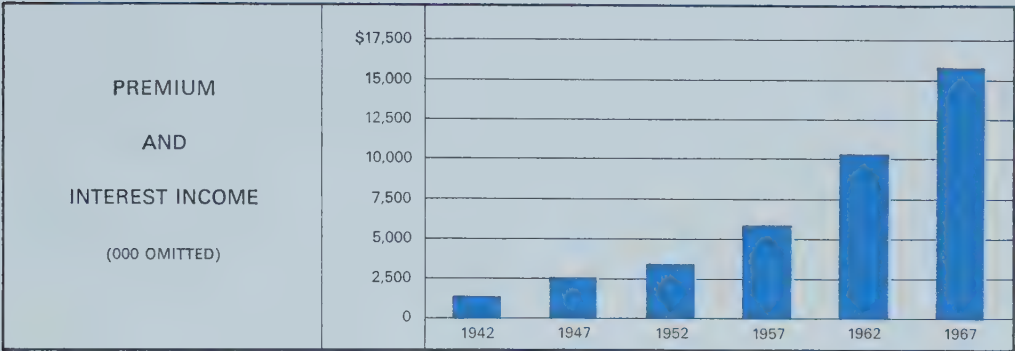
	1967	1966 (For Comparison)
<b>REVENUE:</b>		
Premium income - - - - -	\$11,831,160	\$11,053,208
Consideration for settlement annuities - - - - -	93,505	83,577
Investment income, less investment expenses - - - - -	4,261,822	3,906,882
Staff pension fund contributions and grants - - - - -	74,212	69,643
Miscellaneous income - - - - -	104,400	21,792
	<u>\$16,365,099</u>	<u>\$15,135,102</u>
<b>THIS REVENUE WAS USED FOR:</b>		
Death claims - - - - -	\$ 2,342,828	\$ 2,326,517
Matured endowments - - - - -	526,791	553,814
Disability claims - - - - -	58,066	26,474
Annuity payments - - - - -	110,977	96,457
Payments under settlement annuities - - - - -	81,827	72,398
Surrender values - - - - -	2,401,815	2,056,990
Interest credited to amounts on deposit - - - - -	119,384	98,337
Interest on claims - - - - -	39,468	47,441
Dividends to policyowners - - - - -	656,387	542,382
Increase in provision for future dividends - - - - -	300,000	220,000
Increase in actuarial reserve - - - - -	4,447,020	4,339,124
Total paid or credited to policyowners and beneficiaries - - -	<u>\$11,084,563</u>	<u>\$10,379,934</u>
Taxes, excluding corporation and investment taxes - - - - -	235,456	221,709
Commissions - - - - -	1,276,450	1,111,929
Directors' Fees - - - - -	15,340	14,380
Operating expenses - - - - -	2,961,915	2,678,979
Increase in staff pension fund - - - - -	108,868	92,298
Payments from staff pension fund - - - - -	63,725	60,079
	<u>\$15,746,317</u>	<u>\$14,559,308</u>
NET REVENUE FOR YEAR BEFORE UNDERNOTED ITEMS - - - - -	\$ 618,782	\$ 575,794
Profit on sale of securities - - - - -	170,121	131,499
	<u>\$ 788,903</u>	<u>\$ 707,293</u>
Deduct amount written off securities held - - - - -	294,495	131,499
TRANSFERRED TO UNALLOTTED SURPLUS - - - - -	<u>\$ 494,408</u>	<u>\$ 575,794</u>

## Shareholders' Surplus YEAR ENDED DECEMBER 31, 1967

Balance, beginning of year - - - - -	\$ 58,884
Add Transferred from unallotted surplus - - - - -	100,000
	<u>\$ 158,884</u>
<i>Deduct</i>	
Dividends paid - - - - -	\$ 42,272
Provision for taxes on income - - - - -	41,549
Balance, end of year - - - - -	<u>\$ 75,063</u>

## Unallotted Surplus YEAR ENDED DECEMBER 31, 1967

Balance, beginning of year - - - - -	\$ 4,341,339
Add Transferred from statement of revenue and expenditure - -	494,408
	<u>\$ 4,835,747</u>
<i>Deduct</i>	
Transferred to shareholders' surplus - - - - -	100,000
Balance, end of year - - - - -	<u>\$ 4,735,747</u>



## Officers and Administrative Staff

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HENRY R. JACKMAN, Q.C.  
*Chairman of the Board*

HERBERT H. BLAKEMAN, F.S.A., F.C.I.A.  
*President*

N. DONALD McDONALD, M.B.E., F.L.M.I.  
*Executive Vice-President*

W. H. AITKEN, F.S.A., F.C.I.A.  
*Vice-President and Actuary*

E. W. KAITTING, F.L.M.I., F.E.A.A.  
*Vice-President and Secretary*

H. N. R. JACKMAN  
*Financial Vice-President*

J. M. McINNIS, F.L.M.I.  
*Mortgage Officer*

R. BALTRUWEIT, F.L.M.I.  
*Controller*

G. D. DE RÉ, A.C.L.U.  
*Marketing Research Officer*

N. G. BURNSIDE  
*Underwriting Officer*

J. N. CHESEBROUGH, M.D.  
*Medical Officer*

H. G. KELLY, M.D., F.R.C.P.(C)  
*Associate Medical Officer*

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W. H. MERRIAM, C.L.U.  
*Agency Development Superintendent*

D. E. SCHLICHTER, A.C.L.U.  
*Superintendent, Group*

H. P. PERGANTES  
*Associate Agency Development Superintendent*

B. V. DOUTHWAITE  
*Assistant Agency Development Superintendent*

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## Branch Offices and Agencies

	Branch Offices	Managers
British Columbia	Vancouver - - - - -	S. L. Baker
	Edmonton - - - - -	M. F. Reiser
Alberta	Calgary North - - - - -	D. A. Wight, C.L.U.
	Calgary Chinook - - - - -	
Manitoba	Winnipeg - - - - -	R. H. Little
	Hamilton - - - - -	D. Giannini, M.B.E., C.L.U. Assistant Agency Vice-President
Ontario	St. Catharines - - - - -	
	Kingston (St. Lawrence) - - - - -	C. J. Lawlor, C.L.U.
	London - - - - -	A. P. Schofield, C.L.U.
	Ottawa - - - - -	D. G. Fairweather
	Toronto Centre - - - - -	J. E. McKenna
	Toronto West - - - - -	A. O. Schreiter, C.L.U.
	Toronto East - - - - -	L. G. Ayles
	Toronto Bathurst - - - - -	J. H. Green
	Toronto Bayview - - - - -	W. H. Martin, C.L.U.
Group	Windsor - - - - -	J. J. Kassa
	Group Offices	
	Vancouver, B.C. - - - - -	E. J. R. Boulter
	Edmonton, Alta. - - - - -	W. B. McAthey, C.L.U.
	Toronto, Ont. - - - - -	R. L. Davis
	Montreal, Que. - - - - -	A. Vezina

Branch Offices

Managers

Quebec

Montreal - - - - - E. C. N. Lanctot, C.L.U.  
 Montreal Bonaventure - - - - - L. Copoloff  
 Montreal Cartier - - - - - R. Martel  
 Montreal Centre - G. D. Shore, Assistant Agency Vice-President  
 Montreal St. Laurent - - - - - G. E. Ouwendyk, C.L.U.  
 Quebec - - - - - J. L. Morency  
 Sherbrooke - - - - - R. G. Charbonneau  
 Trois-Rivières - - - - - L. Pidgeon, C.L.U.

Prince Edward  
Island

Charlottetown - - - - - W. B. MacDonald

Agencies

Agencies

Vancouver, B.C. - - - - Principal Insurance Agency Limited  
 Saskatoon, Sask. - - - - - Empire Agencies Limited  
 Sault Ste. Marie - - - - - J. Yull Insurance  
 Toronto, Ont. - - - - - Canadian Insurance Services Limited  
 Toronto, Ont. - - - - - W. A. Curtis & Company Limited  
 Montreal, Que. - - - - - Castle Insurance Agencies Limited  
 Bermuda - - - - - W. C. Roberts  
 Jamaica - - - - - Herman A. McCallum & Co.



